

Fact Sheet

HEALTH AND HUMAN SERVICES AGENCY



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SECRETARY

Agency Departments & Boards:

Aging

Alcohol and
Drug Programs

Child Support
Services

Community Services
and Development

Developmental
Services

Emergency Medical
Services Authority

Health Services

Health and
Human Services
Data Center

Managed Risk
Medical Insurance

Mental Health

Rehabilitation

Social Services

Statewide Health
Planning and
Development

CALIFORNIA RX – A DRUG DISCOUNT PROGRAM FOR CALIFORNIA'S UNINSURED

California Rx Summary: California Rx (Cal Rx) will provide discounted prescription drugs to California residents with family incomes below 300 percent of the federal poverty level (\$27,936 for an individual and \$56,568 for a family of four) and better access to existing free drug programs offered by drug manufacturers. Cal Rx will combine the purchasing power of nearly five million uninsured Californians to make prescription drugs available at estimated discounts in excess of 40 percent off retail prices. The prescription drugs available through Cal Rx will be safe, legal and available at local pharmacies.

Providing Significant Discounts to California's Uninsured: Cal Rx will offer consumers an average savings of at least 40 percent off retail prices and will significantly expand access to existing free drug programs. These discounted prices are comparable to those available through Canadian Websites, but will be safe, legal and available at local pharmacies. The retail discounts will be derived from two sources:

- As a condition of participating in Cal Rx, drug manufacturers must provide their products at prices no greater than the lowest price paid by any commercial purchaser in California. The Department of Health Services (DHS) estimates this requirement will generate a manufacturer discount of at least 17 percent, with an average discount of 20 percent. In addition to this guaranteed discount, DHS will work to negotiate additional discounts from drug manufacturers to maximize the benefits for Cal Rx participants, and 100 percent of the discount negotiated by DHS will be passed on to the Cal Rx enrollee.
- Pharmacies will provide an average discount of approximately 20 percent off the retail price, which is similar to the discounts they provide to most health plans and large purchasers.

Expanding Awareness of and Access to Free Drug Programs: In addition to the discounted drugs available to Cal Rx participants, Governor Schwarzenegger has secured a commitment from the Pharmaceutical Researchers and Manufacturers Association (PhRMA) to provide \$10 million over the next two fiscal years to fund a clearinghouse to publicize and help Californians enroll in manufacturers' free and discount programs. The clearinghouse will provide Internet access and a toll-free call center to help thousands of Californians receive prescription drugs absolutely free, thereby saving them hundreds of millions of dollars per year. This element of the program does not require legislation and will begin operating in Spring 2005.

Maximizing Access and Simplifying the Process for Participants: Building on the clearinghouse function, Cal Rx will provide a user-friendly single point of entry to link consumers to existing manufacturer programs and Cal Rx discounted drugs. A Cal Rx participant will be able to present her prescriptions and Cal Rx card to a local pharmacist and within seconds be directed to the best prices for her prescriptions, whether through companies' free programs or the Cal Rx negotiated discount.

Targeting Uninsured Californians: California residents without prescription drug coverage and with incomes below 300 percent of the federal poverty level (\$27,936 for an individual and \$56,568 for a family of four) will be eligible. To the extent allowable under federal law, seniors meeting the qualification requirements of Cal Rx will be able to purchase drugs not covered by Medicare.

Creating a Simple Enrollment Process: Participants will be able to enroll in Cal Rx through a local pharmacy, physician office, the Internet or a toll-free phone number. The application will be a simple, one-page form that requires applicants to self-certify under penalty of perjury that the information they are providing is accurate. Cal Rx applicants will undergo an initial screening to determine eligibility for Cal Rx and other programs and will be referred to the program providing the lowest out-of-pocket cost for prescription medications. Consumers will pay an annual \$15 enrollment fee to defray the costs of the application.

Maximizing Drug Discounts: In order to maximize manufacturer discounts, Cal Rx will need to obtain State Pharmacy Assistance Program (SPAP) status from the federal Centers for Medicare & Medicaid Services (CMS). With SPAP status, drug manufacturers will be able to offer Cal Rx prices below the lowest commercial price. The Administration has held preliminary conversations with CMS and believes Cal Rx meets all the criteria to qualify as a SPAP.

Making the Federally Required State Contribution: To qualify as a SPAP, California must contribute General Fund to Cal Rx. The Governor's 2005-06 Budget includes approximately \$3.9 million General Fund to pay for vendor contracts to process claims and applications and for staff to negotiate discounts from drug manufacturers.

Cal Rx Implementation Date: The clearinghouse will begin operating in Spring 2005. The Cal Rx program will begin on January 1, 2006.